

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on February 2, 2001 at 9:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Verdell Jackson (R)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: None
Executive Action: HB 351; HB 330

EXECUTIVE ACTION ON HB 351

Motion: REP. WANZENRIED moved that HB 351 DO PASS.

EXHIBIT(tah27a01), EXHIBIT(tah27a02), EXHIBIT(tah27a03) Jeff Martin explained that amendment 01 is basically cleanup language. Amendment 02 and 03 are competing amendments. Amendment 02 would strike out all criteria related to population, median income, and poverty level. Amendment 03 would leave in population and take out requirements for median income and poverty.

Motion: REP. WANZENRIED moved that AMENDMENT 01 DO PASS.

Discussion: Jeff Martin explained the amendments. REP. SCHMIDT asked for clarification on one of the amendments. Jeff Martin said the exemption applies to the construction period not exceeding 12 months. Following this exemption period, there is an additional reduction for property taxes allowed on the building according to the schedule in the bill.

Motion/Vote: REP. WANZENRIED moved that AMENDMENT 01 DO PASS.
Motion carried 20-0.

Motion: REP. DEVLIN moved that AMENDMENT 02 DO PASS.

Discussion: REP. DEVLIN said this amendment removes all of the qualifying criteria except that the building has been abandoned for six months. This bill leaves the present taxable value in place and only exempts the value of the improvements. It also has to go through a local governing body in order to be granted the exemption. REP. BALLYEAT asked if this amendment is adopted all towns would have the authority to grant the exemption. Jeff Martin said the exemption and property tax reduction are at the discretion of the governing body. REP. FORRESTER asked if the old Target store in Billings could apply for this for remodeling and the only approving body would be the city council, so in effect the school districts would suffer. CHAIRMAN STORY said in effect any new value as a result of the remodeling could be approved for exemption, but the current value of the building would still be taxed. Jeff Martin said once the property tax exemption is granted it applies to all mill levies. REP. FORRESTER asked if a school district would have any input into approving the exemption. Jeff Martin said the school district would be able to participate in the public hearing. REP. WAITSCHIES asked what the difference between Amendment 02 and Amendment 03 is. Jeff Martin again explained. REP. SOMERVILLE said this amendment makes this an excellent bill for all of Montana. This gives the city councils the opportunity to approve

this exemption. **REP. BALES** asked if the county commissioners have to approve the school district budgets. **CHAIRMAN STORY** said they have to levy the mills, but he has never seen a county commission make any changes to a school budget. **REP. BALES** asked if the county commission approves the final school budget. **Jeff Martin** said the school board approves the budget and the county commissioners just certify the levy approved by the school board. **REP. BALES** said he is in favor of this amendment, as there is need for these improvements in all sizes of communities. The county commissioners can make the decision based on the best interest of the local community. **REP. ANDERSEN** asked if a city council approved one exemption on a building if they would have to approve the next request. **Jeff Martin** said each granting of the exemption is at the discretion of the governing body. **REP. ANDERSEN** said she is in favor of this, and since the city council can look at each application separately, this should alleviate some concerns. **REP. CARNEY** referred to the fiscal note and asked what property was also eligible under 15-24-1501. **Jeff Martin** said the building has to be abandoned for six months in this bill. In 15-24-1501, the increase in taxable value is 2.5% and could also apply to residential property. In this bill, the increase in taxable value would have to be at least 5%. **REP. WANZENRIED** said in his amendment he was trying to target this relief to small towns, but if the committee wants the larger cities to benefit he supports this. **REP. BALLYEAT** asked what the sponsor's opinion of the amendment is. **REP. OLSON** agrees with the amendments.

Motion/Vote: **REP. DEVLIN** moved that **AMENDMENT 02 DO PASS**.
Motion carried 20-0.

Motion/Vote: **REP. WANZENRIED** moved that **HB 351 DO PASS AS AMENDED**. **Motion carried 18-2 with Esp and Jackson voting no.**

There was an intermission to the meeting for the Department of Revenue to present some additional information to the committee. This was not recorded.

EXECUTIVE ACTION ON HB 330

{Tape : 1; Side : A; Approx. Time Counter : 26.4}

Motion: **REP. SOMERVILLE** moved that **HB 330 DO PASS**.

Motion: **REP. LASLOVICH** moved that **AMENDMENT DO PASS**.

Discussion: **Jeff Martin** explained the amendment would limit this to a publicly funded educational institution within Montana which falls under definitions under Federal law. **REP. BALLYEAT** said he is going to oppose this amendment because it is bad policy and complicates things unnecessarily. The Federal credit does not limit to only the students at public universities. Legal council has said they do not believe it is unconstitutional to grant a credit, as long as it is nonrefundable. **REP. DALE** said it is his understanding that the reason for this amendment is to reduce the fiscal note. The long-term goal is to education our young people, and from a policy standpoint, we cannot divide the opportunity between public and private institutions. **REP. DEVLIN** said he is against this amendment because it gives the publicly funded education a distinct advantage for recruiting. **REP. CARNEY** said she is opposed to the amendment. Educating people makes them more productive so they will pay more taxes, so in the interim we will get back more than we spend according to the fiscal note. **REP. ERICKSON** said this issue has not been tested constitutionally, and this amendment is to make sure this bill cannot be challenged.

Motion/Vote: **REP. LASLOVICH** moved that **AMENDMENT DO PASS.**

Motion failed 6-14 with Branae, Cyr, Erickson, Laslovich, Schmidt, and Wanzenried voting aye.

Motion/Vote: **REP. ESP** moved that **HB 330 BE TABLED.** **Motion failed 9-11 with Andersen, Bales, Balyeat, Dale, Esp, Fuchs, Jackson, Waddill, and Waitschies voting aye.**

Discussion: **REP. BALLYEAT** said the major flaw in this bill is that it gives a percentage of the Federal scholarship credit as a credit on the Montana return. The Federal credit already gives a 100% credit of the first \$1000 that is spent on college tuition. If this bill passes, someone could spend \$1000 in tuition and actually get back \$1100 in credits. **REP. ERICKSON** said the problem is the tuition in Montana is much higher than \$1000.

Action was then postponed.

EXECUTIVE ACTION ON HB 381

{Tape : 1; Side : B; Approx. Time Counter : 7.3}

Motion: **REP. SOMERVILLE** moved that **HB 381 DO PASS.**

Motion: **REP. BALLYEAT** moved that **AMENDMENT DO PASS.**

Discussion: **EXHIBIT (tah27a04)** **Jeff Martin** said this amendment would require the Department of Revenue to furnish the names available for each undivided interest located within a county. An important reason for this is for the tax sale/tax deed process so the county treasurer will have as much information as possible regarding owners. **REP. BALLYEAT** asked if the Department of Revenue concurs with the amendment. **Dolores Cooney** said they concur.

Motion/Vote: **REP. BALLYEAT** moved that **AMENDMENT DO PASS**. Motion carried 20-0.

Motion: **REP. LASLOVICH** moved that **HB 381 DO PASS AS AMENDED**.

Discussion: **REP. ESP** asked if an owner requests a copy of the notice to be sent to another person it will only be sent once. **Jeff Martin** said it would have to be requested each year or time. **Dolores Cooney** said this is an administrative rule issue that could be dealt with. If a subsequent owner needed a copy on a yearly basis, the Department could establish something to accommodate those taxpayers. **REP. ESP** asked if a subsequent owner could request a notice be sent every year so they would know if things were up to date. **Dolores Cooney** said yes. **CHAIRMAN STORY** said he had a concern about the broadness of the language in Section 2 and wondered if the Department would have to send a notice to everyone in the state if someone requested this. **Dolores Cooney** said the statute permits this request, but they wish this would not happen. **REP. DEVLIN** asked if he was interested in a piece of property if his name could be put on the list to receive a copy of the notice. **Dolores Cooney** said she would hope not. As a taxpayer, you have a right to have a copy of anybody's tax bill because it is public record, but there is not a current system in place where this could be automatically received.

Motion/Vote: **REP. LASLOVICH** moved that **HB 381 DO PASS AS AMENDED**. Motion carried 19-1 with Fuchs voting no.

ADJOURNMENT

Adjournment: 11:13 A.M.

REP. BOB STORY, Chairman

RHONDA VAN METER, Secretary

BS/RV

EXHIBIT (tah27aad)